

Union Seeks To Block Hawker Beechcraft Sale

Roxana Hegeman, Associated Press

WICHITA, Kan. (AP) — The machinists union for Hawker Beechcraft is trying to block the proposed sale of the struggling aircraft manufacturer to a Chinese company, contending it would give China access to technology it doesn't yet possess and would saddle American taxpayers with paying the Wichita-based company's underfunded pension obligations.

Thus far, the International Association of Machinists and Aerospace Workers has had little success rallying support in Washington, including from Republican Rep. Mike Pompeo, who represents Wichita's district, and Kansas' two Republican senators, Pat Roberts and Jerry Moran.

The senators ignored repeated requests for comment on the issue. Pompeo told The Associated Press that the sale of the Hawker Beechcraft, which filed for bankruptcy protection earlier this year amid massive debt, could preserve thousands of jobs at its Kansas and Arkansas plants.

"It is very difficult to challenge these kinds of things without the delegation from the home state stepping up," said Matthew McKinnon, the union's legislative and political director.

Hawker Beechcraft, which filed for bankruptcy protection in May, announced this month that it had reached a court-approved \$1.79 billion "exclusivity agreement" to negotiate with Superior Aviation Beijing Co., Ltd., for the sale of its business jet and general aviation operations. Hawker said Superior would make Hawker its flagship investment, maintain its U.S. headquarters, management team and employees and continue product development throughout its lines. During the 45-day exclusivity period, Superior would pay to support Hawker's ongoing operations. Once a deal is agreed, the sale would be subject to a bankruptcy court auction.

Sixty percent of Superior Aviation is owned by Chinese industrialist Shenzong Cheng and his wife, Qin Wang. The remaining 40 percent is owned by a company controlled by the Beijing municipal government.

Cheng has said little about the proposed purchase of Hawker Beechcraft, other than that Superior has no plans to relocate or terminate any manufacturing facilities or product lines. But another of his companies, after forming a joint venture with a Texas helicopter maker in 2009, moved all manufacturing to China, leaving only its parts and services department in Texas.

With the Hawker negotiations ongoing, the union worries that Superior ultimately would move at least some of Hawker's U.S. manufacturing operation to China, to cut costs.

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McKinnon said the union has sent letters to members of Congress and other federal regulatory agencies, and has been meeting with congressional staffs to voice its concerns over the potential security implications of the sale of Hawker Beechcraft to Superior.

Hawker Beechcraft Corp. President Bill Boisture told the AP that his company has received the first of two \$25 million installments due from Superior under the exclusivity agreement.

He reiterated that the Chinese firm would have no ownership interest in or control of Hawker Beechcraft's defense subsidiary. Hawker Beechcraft Defense Co. already has separate facilities and production lines.

"We can carve out the defense company as a stand-alone operation and that is one of the reasons we were able to accept Superior's offer for the company, knowing that the carve-out was not an onerous process based on how we were already operating," Boisture said.

Hawker Beechcraft also noted that any final agreement with the Chinese would be subject to approval by the Committee on Foreign Investment in the United States and federal regulatory agencies.

"I don't know of there being a strong track record at stopping technology transfers that could harm us," McKinnon said of the committee.

The machinists union argues that the sale of critical technologies with dual-use capacities to a little known company with Chinese government backing should spark great concern.

Analysts are divided over the potential sale's security implications.

James Lewis, a national security analyst with the Center for Strategic and International Studies, said Hawker Beechcraft's planes are not "a big deal" militarily. Of more concern is what skills and technologies the Chinese are buying. If the Chinese are buying the ability to make parts using composite technology, then that is a big deal, he said.

Richard Aboulafia, an analyst with Virginia-based aerospace and defense analysis company the Teal Group, said he thinks the union's concerns are unfounded. He said he doesn't think the little known Chinese company will be able to financially close the deal, and that even it does, there isn't anything at Hawker Beechcraft that U.S. companies haven't already sold or said they would sell to China. He also said it's unlikely the aircraft production lines would be moved to China because doing so would mean losing Hawker Beechcraft's Federal Aviation Administration certificates.

"Analysts that answer questions like that are part of the problem," McKinnon said. "We have piece-by-piece been giving away to the Chinese government technology we say isn't sensitive but ends up in the products that their defense establishment builds. And that has been happening for 25 years."

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